



AJ Lucas Group

**ABN AMRO Morgans
Annual Queensland Conference**

13th September 2007



Overview

- ▶ Specialist infrastructure / resources service provider
- ▶ Sector focus:
 - Oil & Gas
 - Water & Waste Water
 - Resources
 - Real Estate
- ▶ Balanced business focusing on;
 - Maintainability of earnings
 - High margins
 - High degree of technical input and expertise
- ▶ Working for principals – government, semi-government, major corporates



Lucas Philosophy

- ▶ Best of best - Safety, Environment and Industrial Relations
- ▶ Premium service provider and quality of work performed
- ▶ Lucas culture of continuous improvement
- ▶ Problem solving through non-confrontational approach
- ▶ Innovation – creative approach to scope of works



Strategy

- ▶ Market leadership in chosen sectors
- ▶ Niche businesses
- ▶ Differentiate through innovation
- ▶ Integrated business – shared overhead platform
- ▶ Leverage off intellectual capital:
 - To provide integrated service and “capture” clients
 - Generate entrepreneurial opportunities
- ▶ High Barriers to Entry
 - Very high degree of technical, engineering knowledge and practical experience
 - Specialised equipment, some cases very technical
- ▶ Environment/safety focus



Strategy

- ▶ Leverage off key activities, position in market place and high degree of in-house expertise/technical knowledge to create:
 - Business generating high cash flows
 - Relatively low overhead structure
 - Solid and maintainable earnings stream
 - Additional “equity” type, development opportunities eg.
 - *CSG Assets*
 - *Water Assets*
 - *Infrastructure Developer*
 - Stand alone activities, but can be offered in aggregate
- ▶ Positioned in Sectors with long term future, high levels of spending



Activities

- ▶ Drilling:
 - Underground (UIS)
 - Vertical
 - Surface to in-seam (SIS)
 - Horizontal directional drilling (HDD)
 - Well Services
- ▶ Pipelines:
 - Cross country and urban
 - Water, wastewater, oil & gas, fuel, slurry
 - Including
 - *EPC*
 - *D&C*
 - *Hydrostatic testing*
 - *Compressor stations*
- ▶ Construction & Civil
- ▶ Operations & Maintenance



Drilling

- ▶ Sector focus: CSG, Coal and Civil
- ▶ Instrumental in commercialisation of Australia's CSG industry and the largest coal seam degasification company in Australia
- ▶ Lucas, with McDermott and Capricorn Weston, provides solid foundation and critical mass
- ▶ Market leader in CSG and coal, long term customer relationships
- ▶ Developed proven world class proprietary gas drainage and HDD technology
- ▶ Well diversified – good clients, good geographical spread (Bowen Basin, Hunter Valley and Gunnedah Basin)
- ▶ Cross utilisation of equipment and experienced personnel
- ▶ Innovative drilling techniques
 - Longest SIS holes in Australia
 - Engineering and design approach to decrease client costs
 - Enhancement of gas recovery



Drilling

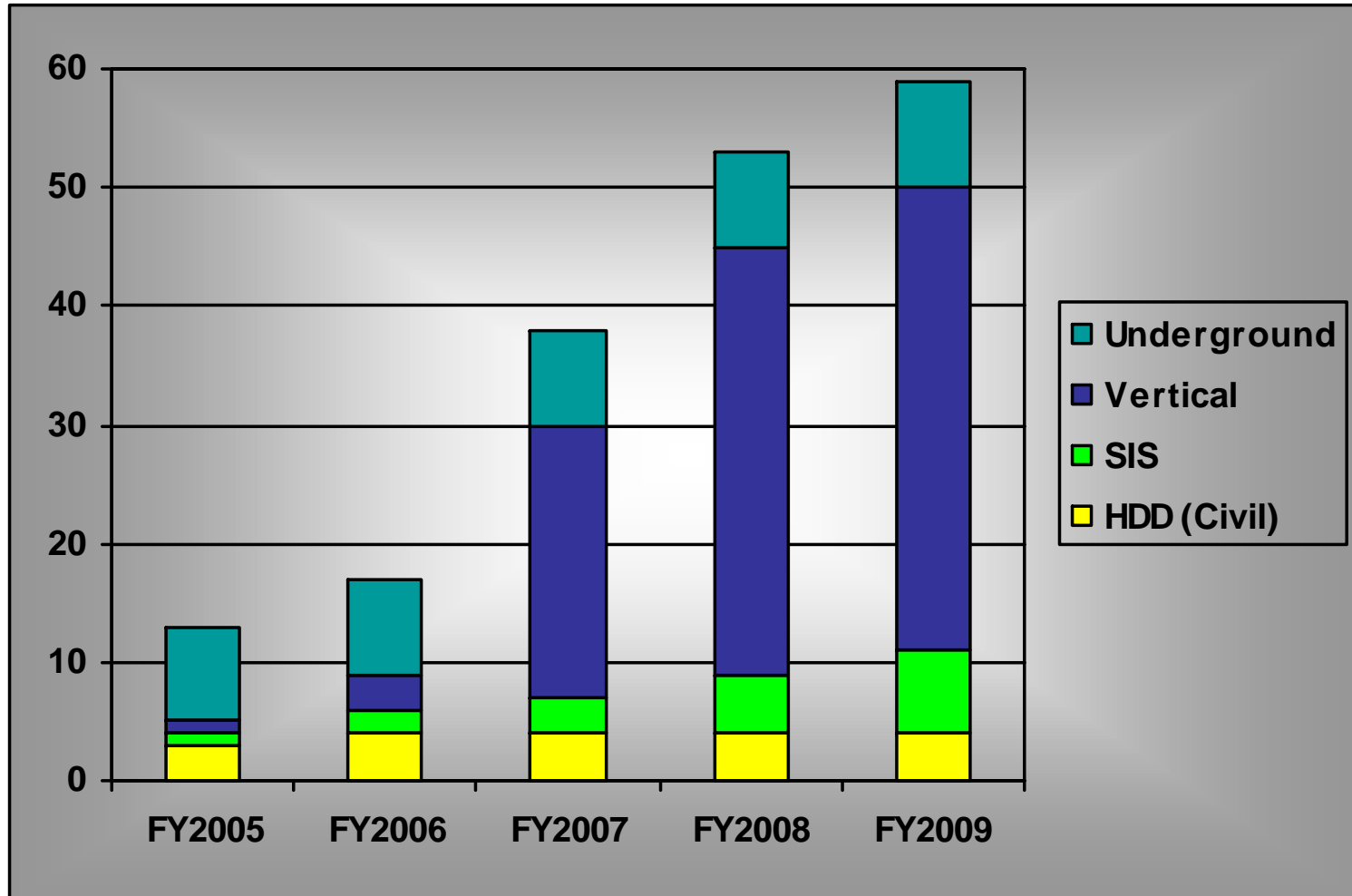
Activity	Rigs	Staff	Market Share	Sector
▶ UIS - underground exploration & gas extraction.	8	31	50-60%	Coal
▶ Vertical - exploration, development, gas production drilling.	37	151	25-30%	Coal CSG
▶ SIS - coal seam degasification from the surface.	3	37	30-40%	Coal CSG
▶ HDD - trenchless technology for infrastructure & utilities installation.	4	16	50-60%	All
▶ Well Services - procurement, pump installation retrievals, dewatering, monitoring and maintenance services.	N/A	12	10-20%	Coal CSG
▶ Directional Services - EM MWD guidance systems, field engineering & flight path design.	3 (Double Kits)	9	25-30%	Coal CSG Civil
TOTAL	52 (Rigs only)	256		

NB: Vertical excludes deeper conventional gas production wells



Drilling Outlook

Rig Fleet by Activity

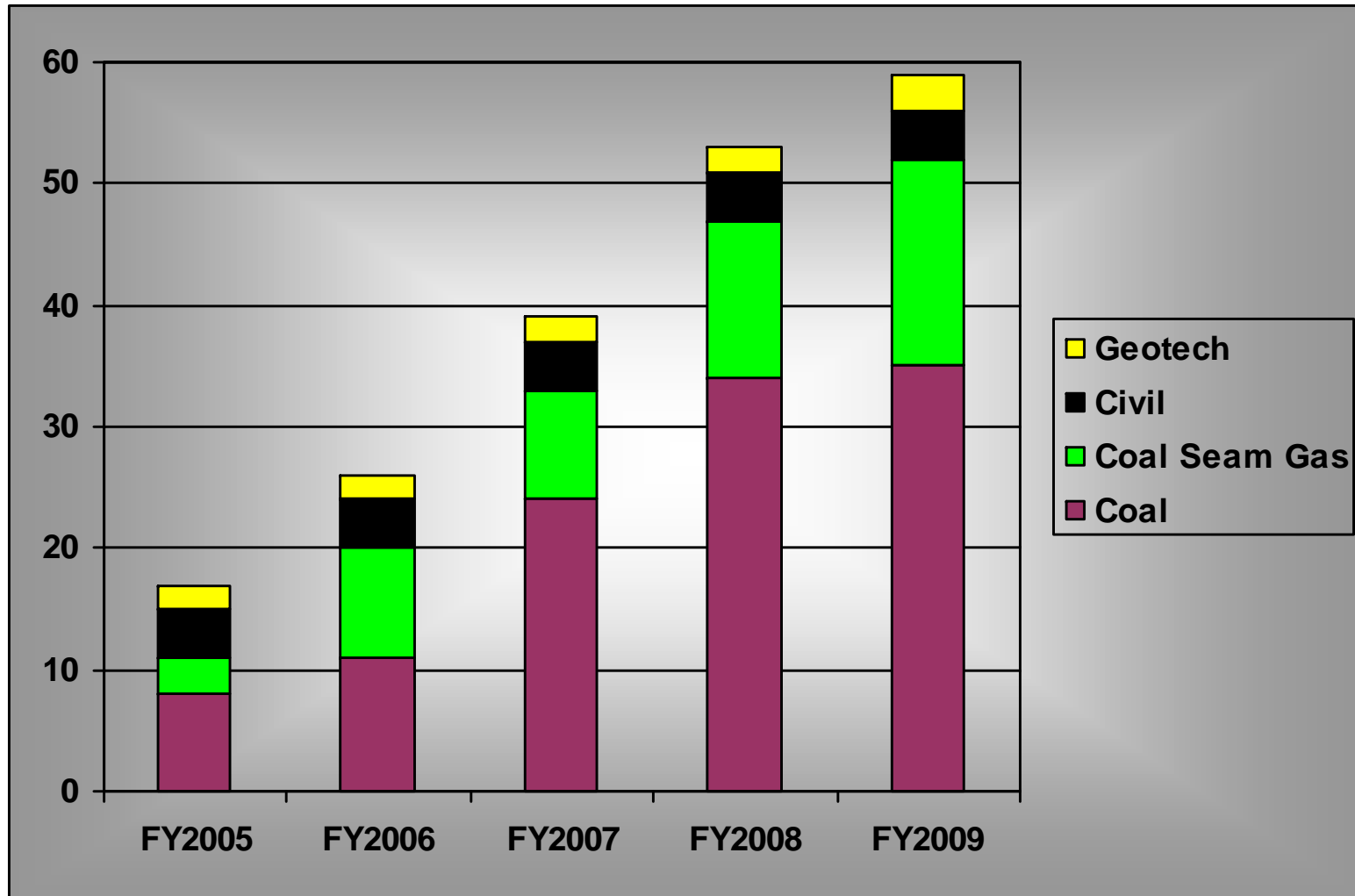


* Excludes China



Drilling Outlook

Rig Fleet by Sector





Drilling Outlook

- ▶ Mining Services sector remaining strong, large demand for drilling services
- ▶ Reduced CSG cost of production, encourages switch to gas fired power stations (QLD >40%, NSW = nil)
- ▶ Increase in negotiated contracts (1-3 yrs)
- ▶ CSG in its infancy, about 75% of Qld's 5,000 PJ's of proved and probable gas reserves of CSG, large drilling programmes required
- ▶ Continued strong outlook for coal exports
- ▶ CSG explorers moving to full gas production model
- ▶ New mines – increased exploration
- ▶ Well positioned
- ▶ Capacity constraints – labour, rig procurement lead time



Pipelines

- ▶ Core AJL business > 25 years. Strong customer relationships
- ▶ Design and engineering, procurement and construction to testing and commissioning
- ▶ Experienced market leader;
 - Oil and gas
 - Water and wastewater
 - Fuel and slurry
 - Cross country and urban
- ▶ Reputation of delivery on time, on budget
- ▶ Substantial Alliance experience;
 - \$450m Western Corridor recycled water pipeline (Transfield, GHD)
 - \$350m – 690km SEA Gas pipeline – Australia’s largest pipeline EPC
 - APA Pipeline Alliance – 7 significant projects across Australia – Midwest Pipeline, Roma Brisbane Looping, Peat Lateral, Dubbo Central West
- ▶ Vertically integrated: HDD and Testing, full project solutions
- ▶ Key contacts within the industry

PAST PIPELINE PROJECTS CARRIED OUT IN AUSTRALIA

Hydrotest and dry Goldfields Gas Pipeline
1380km 400, 350mm dia

Cooper Basin Pipeline for Santos – 234km of 150mm and 100mm dia

Century Slurry Pipeline HDD of 7 crossings and Hydrotesting

Surat Basin Pipelines for Hartogen & Bridge Oil
137km of 150mm, 100mm dia

Gladstone Trunk Main
16km of 355mm for State Gas Pipeline

Looping Roma Brisbane Pipeline 250km of 400mm dia for Australian Pipeline Trust

Marsden to Dubbo Gas Pipeline for AGL 254km of 150mm, 200mm

Wilton to Wollongong Trunk main 42km of 500mm dia for AGL

Oberon Pipeline 32km of 150mm for The Pipeline Industry

Ethane Pipeline Moomba to Sydney HDD of 17 crossings & Hydrotest Spreads 3

Eastern Gas Pipeline HDD crossings and special section crews for Duke Energy

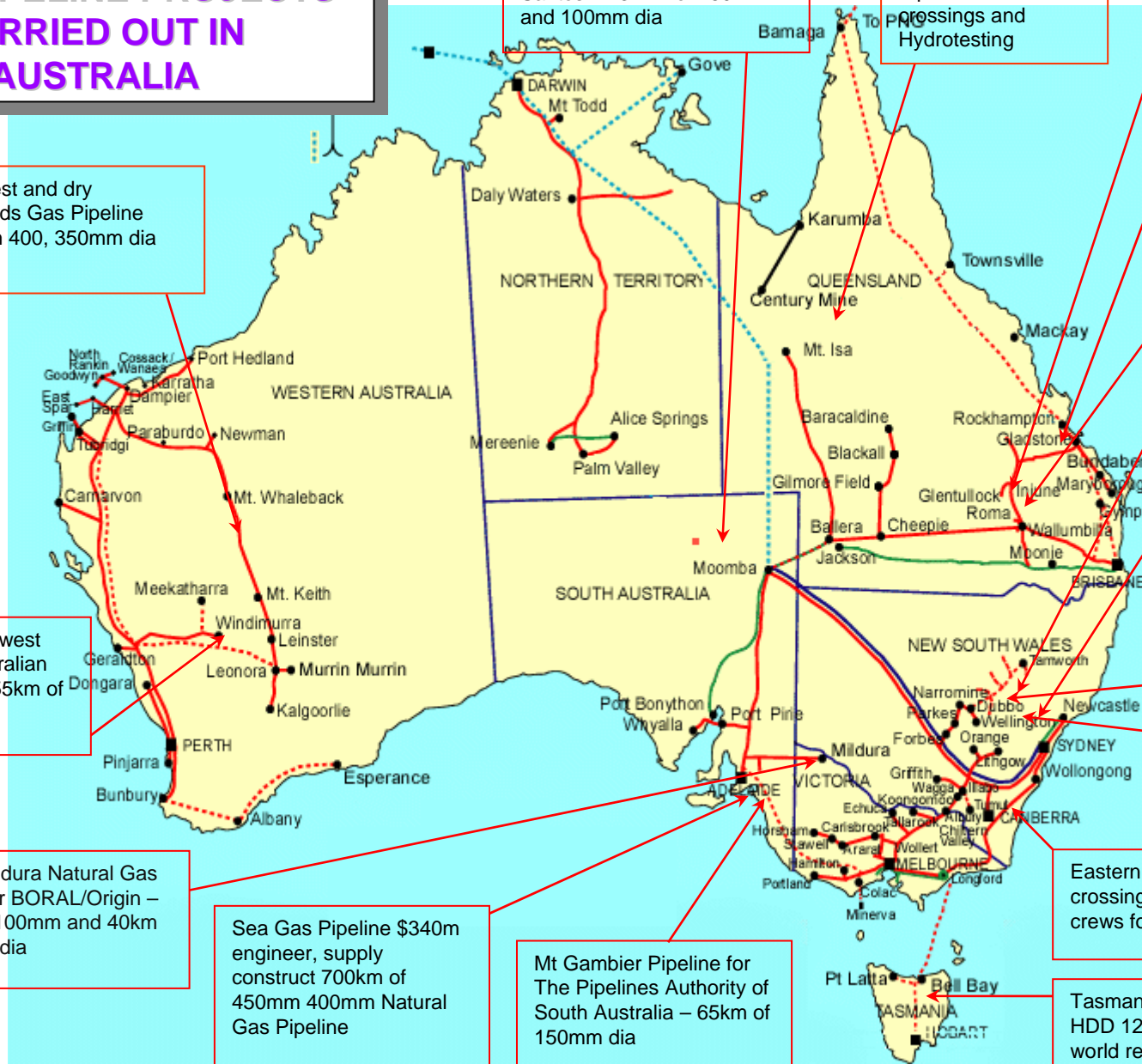
Tasmania Gas Pipeline HDD 12 crossings including world record 2000+ m Tamar River

Windamurra Midwest Pipeline for Australian Pipeline Trust 355km of 200mm

Berri to Mildura Natural Gas Pipeline for BORAL/Origin – 140km of 100mm and 40km of 150mm dia

Sea Gas Pipeline \$340m engineer, supply construct 700km of 450mm 400mm Natural Gas Pipeline

Mt Gambier Pipeline for The Pipelines Authority of South Australia – 65km of 150mm dia





Pipeline Outlook

- ▶ Oil & gas – increased domestic and export demand
- ▶ Water and wastewater – national water shortage, all states
 - Years of under-investment
 - Drought
 - Urban areas population growth increase by 8.5m by 2050
 - Water loss and leakage management, critical government issues
 - Traditionally reliant on surface runoff, recycled water distribution, growth area, O&M management of sewage systems
- ▶ Emergence of CSG industry
 - Traditional gas reserves rapidly depleting
 - Viable industry, Qld, CSG supplying >40%
 - Gas prices forecast to increase
- ▶ Demand for flowlines, gathering systems, operations and maintenance
- ▶ Resources – new mines generate requirements for power stations – gas pipelines, slurry pipelines



Construction & Civil

- ▶ Sydney orientated, well established – Australia's oldest builder
- ▶ Focus on commercial and industrial construction
- ▶ Projects which require high degree of knowledge and experience
- ▶ Specialist expertise in major refurbishment, in particular, heritage buildings
- ▶ Specialist civil engineering capability. Provides more complete Group services, particularly for larger projects
- ▶ Lucas Stuart provides;
 - Good strong and sustainable cash flow to fund development of other aspects of Group
 - Good training ground in project management and contract administration
 - Extra dimension to service established clients
- ▶ Provides good base for facilities management business



Construction & Civil Outlook

- ▶ Strategy not to grow this business. Market leadership to continue but utilise for growth of Group business.
- ▶ Strategy to develop facilities management business
- ▶ Project management training programme initiated
- ▶ Selected developments/risk sharing opportunities being pursued
- ▶ Outlook for commercial property is strong
- ▶ Lucas Stuart skills important in execution of major projects eg. Western Corridor



Operations & Maintenance

- ▶ Knowledge and understanding of the assets
- ▶ Leverage engineering expertise into sustainable services businesses in each of our sectors
- ▶ Turnkey build and operate packages
- ▶ Government owned water infrastructure, advancing outsourcing (75% of D&C, 30% of O&M)
- ▶ Strategic objective, growth in this space by utilising Lucas core capabilities;
 - Engineering solutions
 - Project and program management
 - Maintenance of assets
 - Existing relationships with stakeholders
- ▶ Market confidence in capability of AJL to administer assets



High Quality Clients

Market Segment	Oil & Gas	Water & Waste Water	Coal	CSG	Civil Construction
Clients	<ul style="list-style-type: none"> • APA Group • Santos • Epic Energy • Shell • Sinopec/CPP • AGL Agility • BP Australia • Origin • Woodside 	<ul style="list-style-type: none"> • Coordinator General. QLD • Sydney Water • Hunter Water Corporation • Victoria Water Companies • Water Corporation, WA • Regional Water Authorities • Brisbane Water • Goro Nickel 	<ul style="list-style-type: none"> • BMA-BHP Billiton Mitsubishi Alliance • Anglo • BHP • Centennial • Xstrata • Donaldson • Rio Tinto 	<ul style="list-style-type: none"> • Arrow Energy • AGL • Santos • Lucas Energy • Eastern Star Gas • Sydney Gas 	<ul style="list-style-type: none"> • Hyundai • Sydney City Council • Sydney Aquarium • Merivale Group • Aldi
Activity	<ul style="list-style-type: none"> • Pipelines, gathering systems & maintenance • Drilling – HDD • Directional Services • Compressor stations 	<ul style="list-style-type: none"> • Pipelines • Drilling – HDD • Civil Works • Directional Services 	<ul style="list-style-type: none"> • Drilling – Vertical, UIS & SIS • Directional Services • Well Services 	<ul style="list-style-type: none"> • Drilling – Vertical, UIS & SIS • Pipelines & gathering systems • Directional Services • Well Services 	<ul style="list-style-type: none"> • Building • Civil construction • Pumping stations



Key issues/limits to growth

- ▶ Capacity constraints – lead time to procure additional equipment
- ▶ Skilled personnel and resources – availability and retention
- ▶ Cost pressures
- ▶ Working capital
- ▶ Balance sheet



Lucas Energy

- ▶ Gloucester Basin (AJL 70% / MPO 30%)
 - Dedicated management and exploration team established
 - Drilling programme accelerated
 - Land acquisition programme commenced
 - Expenditure commitments being funded out of Group cash flow
 - First reserves certification due early calendar 2008
 - Commercial negotiations commenced
- ▶ ATP651 (AJL 15% / QGC 85%)
 - Maintaining equity interest through cash contributions
- ▶ Other
 - Investigating other coal seam gas prospects
- ▶ Next stage strategy to be unveiled



Summary - Outlook

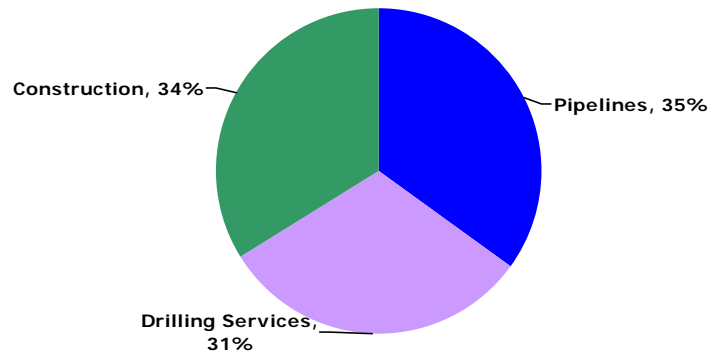
A\$m	FY2007 A	FY2008 F
Drilling	67.6	96.0
Pipelines	73.2	166.0
Construction and Civil	75.5	88.0
Total Revenue	216.3	350.0
EBITDA	15.4*	30.5
EBITDA %	7.1%	8.7%
NPAT	6.4	14.6

* EBITDA Net FY2007 excludes \$0.5m for P&E write-down

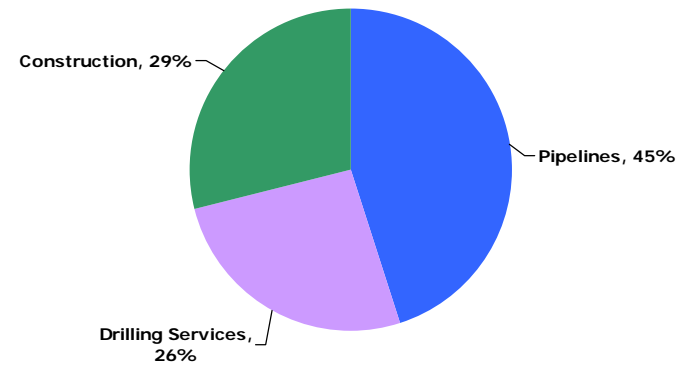


Summary - Balance by Activity

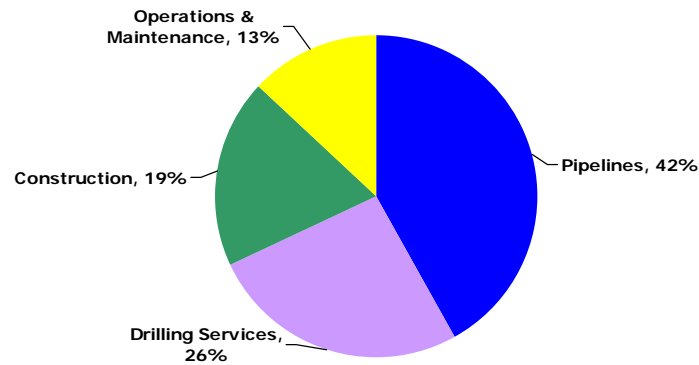
Revenue 30 June 2007



Revenue Budget 2008



Revenue Target





Thank You

- ▶ ABN AMRO Morgan & attendants
- ▶ To the dedicated hard working staff at Lucas and their love of innovation and engineering excellence
- ▶ Contact Details;

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